

**AFRICAN DEVELOPMENT REVIEW / REVUE AFRICAINE
DE DEVELOPPEMENT
VOL. 23 No. 2 June / Juin 2011**

**Analyzing Pro-Poor Growth in Southern Africa: Lessons from
Mauritius and South Africa**

Jean-Yves Duclos and Audrey Verdier-Chouchane
pages 121-146

**Welfare Analysis Using Data from the International Comparison
Program for Africa**

Abebe Shimeles
pages 147-160

**Industrial Strategies for Economic Recovery and Long-term
Growth in Africa**

Arne Bigsten and Måns Söderbom
pages 161-171

**Pro cyclicité de la politique budgétaire et surveillance multilatérale
dans l'Union Economique et Monétaire Ouest Africaine**

S. Guillaumont Jeanneney et S.J-A. Tapsoba
pages 172-189

Post-crisis Monetary Policy Frameworks in sub-Saharan Africa

Louis Kasekende and Martin Brownbridge
pages 190-201

**Growth by Destination (Where You Export Matters): Trade with China
and Growth in African Countries**

Mina Balamoune-Lutz
pages 202-218

Education and Economic Development in Africa

Kwabena Gyimah-Brempong
pages 219-236

Food Security and Human Development in Africa: Strategic Considerations and Directions for Further Research

Pedro Conceição, Ricardo Fuentes-Nieva, Leo Horn-Phathanothai and Anthony Ngororano

pages 237-246

The Impact of Remittances and Foreign Aid on Savings/Investment in Sub-Saharan Africa

Yéro Baldé

pages 247-262

Analyzing Pro-Poor Growth in Southern Africa: Lessons from Mauritius and South Africa

Jean-Yves Duclos and Audrey Verdier-Chouchane

Abstract. Based on the methodology of Ravallion and Chen (2003), Kakwani and Pernia (2000) and Kakwani et al. (2003) and using household survey data, we analyze poverty, inequality and pro-poor changes in South Africa over the period 1995–2005 and in Mauritius over the period 2001–2006. Conditions are very different in these two countries. South Africa is one of the least equal countries in the developing world while inequality in Mauritius is relatively low in comparison to other African countries. Similarly, using a reference threshold of US\$3 a day, we find that poverty headcount was initially around 42 percent in South Africa and 6 percent in Mauritius. Moreover, in addition to these initial differences, the two countries have experienced very different pro-poor growth paths. Temporal differences reveal that inequalities have increased significantly in South Africa over the period and that the poverty headcount in 2005 would have been around 10 percentage points lower without this strong adverse redistribution effect. South African growth has been anti-poor relatively speaking. Conversely, growth was absolutely pro-poor in Mauritius over the period 2001–2006. Deeper analysis is conducted across areas of residence (urban and rural) and according to educational achievements (some schooling versus no schooling) and gender. A comparison between Mauritius and South Africa allows for a better understanding of both growth and redistribution effects on poverty and for drawing some policy recommendations towards reducing poverty in these countries.

Welfare Analysis Using Data from the International Comparison Program for Africa

Abebe Shimeles

Abstract. This paper uses data from the International Comparison Program 2005 to recover complete own and cross-price and income elasticity estimates for the African continent using the Extended Linear Expenditure System for 12 broadly defined commodities. The results can be used for aggregate welfare comparison in such global models as GTAP (Global Trade Analysis Project) and exercises to infer welfare impact of relative price shocks at the continental level. In a heuristic way also, it is possible to derive a 'utility-consistent' global poverty line from the demand function that could be compared with the popular international poverty lines. Results generally indicate that changes in the price of food items could lead to greater welfare loss compared to changes in the price of energy or other commodities. Income elasticity estimates generally fell within bounds usually found from household surveys. At the continental level, the estimated utility-consistent subsistence expenditure is \$1.10 a day per person, which is quite close to the \$1.08 a day global (international) poverty line used in 2005 to measure absolute poverty.

Industrial Strategies for Economic Recovery and Long-term Growth in Africa

Arne Bigsten and Måns Söderbom

Abstract: Despite a decade of rapid economic growth, Africa's industrial sector remains underdeveloped. In this paper we explain why improved economic performance in the industrial sector is important for Africa's long-term growth, and discuss the prospects for accelerated industrialization on the continent. We distinguish between macroeconomic aspects, factors related to the investment climate, and the role of skills at the level of the enterprise. We also discuss the theoretical underpinnings of industrial policy, as well as implementation problems.

Pro cyclicité de la politique budgétaire et surveillance multilatérale dans l'Union Economique et Monétaire Ouest Africaine

S. Guillaumont Jeanneney et S.J-A. Tapsoba

Résumé: Cet article analyse l'impact de la coordination budgétaire sur la cyclicité de la politique budgétaire en UEMOA. Après 1994, les Etats de l'UEMOA ont adopté un principe de surveillance multilatérale des politiques budgétaires qui impose un solde budgétaire constamment nul ou positif. Nous examinons comment cette règle affecte la conduite conjoncturelle des politiques budgétaires. Les résultats indiquent que la période de la surveillance multilatérale est associée à un biais pro cyclique de la dépense publique en UEMOA pendant les récessions plus fort que dans les pays africains qui ne sont pas membres de l'Union. Ce biais pro cyclique suggère une modification de la règle de la surveillance multilatérale afin d'y adjoindre une condition d'excédent budgétaire durant les périodes d'expansion permettant à l'inverse une politique expansive durant les périodes de récession.

Post-crisis Monetary Policy Frameworks in sub-Saharan Africa

Louis Kasekende and Martin Brownbridge

Abstract: Most of the monetary policy frameworks which use a domestic anchor for monetary policy in sub-Saharan Africa (SSA) employ quantitative money targets. Although these frameworks proved useful in reducing inflation in SSA, they are not well suited to the discretionary fine tuning of monetary policy. Monetary policy frameworks should be reformed in the post-crisis period, especially in the 'frontier markets' of SSA, where the need for activist demand management will grow in line with economic development and the integration of domestic financial sectors into global markets. Reforms should include adopting a broader set of policy objectives in addition to inflation, replacing broad money as the intermediate target with a more sophisticated set of indicators and forecasts and reform of the operating target. In essence, central banks should introduce a form of inflation targeting lite. This should be complemented by measures to strengthen the transmission mechanism of monetary policy.

Growth by Destination (Where You Export Matters): Trade with China and Growth in African Countries

Mina Balamoune-Lutz

Abstract: I perform Arellano-Bond GMM estimations using panel data over the period 1995–2008 and explore the growth effects of Africa's trade with China, distinguishing between the effect of imports and the effect of exports, and controlling for the role of export concentration. Four important results are obtained from the empirical analysis. First, there is no empirical evidence that exports to China enhance growth unconditionally. Second, the results suggest that export concentration enhances the growth effects of exporting to China, implying that countries which export one major commodity to China benefit more (in terms of growth) than do countries that have more diversified exports. Third, contrary to the widely held view that increasing imports from China would have a negative effect, the empirical results show that the share of China in a country's total imports has a robust positive effect on growth. Finally, the evidence suggests that there is an inverted-U relationship between exports to developed countries and growth in Africa. Overall, the results seem to provide support for the hypothesis of *growth by destination* (i.e., that where a country exports matters for the exporting country's growth and development). I draw on these findings to outline some policy implications.

Education and Economic Development in Africa

Kwabena Gyimah-Brempong

Abstract: This paper uses panel data from two new data sets on educational attainment to investigate the effects of education on several development outcomes in African countries. I find that education has a positive and significant impact on these development outcomes. I also find that different levels of education affect development outcomes differently; for some development outcomes, primary and secondary education may be more important than tertiary education, while for some development outcomes, such as income growth rate, tertiary education may be more important. The results of this paper have implications for development policy in African countries.

Food Security and Human Development in Africa: Strategic Considerations and Directions for Further Research

Pedro Conceição, Ricardo Fuentes-Nieva, Leo Horn-Phathanothai and Anthony Ngororano

Abstract: This paper argues that food security and human development are intricately linked, and that meaningful progress on the one cannot be sustained without concomitant progress on the other. The paper surveys recent research on various aspects of the linkages between food security and human development and highlights areas where further research would enrich our understanding of the complex interactions and synergies between the two. It concludes by calling for a more systematic investigation of the human development–food security nexus with a view to generating new and practical insights for improving food security and advancing human development in sub-Saharan Africa.

The Impact of Remittances and Foreign Aid on Savings/Investment in Sub-Saharan Africa

Yéro Baldé

Abstract. Migrant remittances reached \$21 billion in sub-Saharan Africa (SSA) in 2008 according to the World Bank estimates. Despite these important flows, few macroeconomic studies have been conducted on this topic in SSA compared to other developing regions. The existing studies on the impact of remittances in SSA have been mostly in the form of case studies at the microeconomic level or reports. The objective of this study is to fill in this gap by investigating the impact of remittances on savings and investment in respective samples of 37 and 34 SSA countries over the period 1980–2004. It also analyzes comparatively the effectiveness of remittances and foreign aid in promoting savings and investment. OLS and instrumental variables (2SLS) with country fixed-effects are used as estimations methods. We find that both remittances and foreign aid positively and significantly influence savings and investment in SSA, meaning that contrary to most conclusions found in the literature, migrant remittances in SSA are not only and entirely spent in basic consumption needs. We also find that, although the volume and share of remittances are lower than foreign aid, remittances have more positive impact on savings and investment. Remittances, by being directly received by people in need and not by governments as intermediaries, would serve more households' interests and be more effective in favouring economic development than foreign aid. However, when efficiently used in a good institutional, political and economic environment, foreign aid can act as a complement to remittances by allowing vulnerable households to have income above the threshold subsistence's level so they (or migrants) can use a larger share of remittances for savings and investment purposes. Our results also suggest that remittances may have indirect positive effects on growth in SSA through savings and investment.